

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2006):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO
APPAREL CONTAINING LACE FABRICS OF SYNTHETIC YARNS**

Investigation No. 332-473-004

April 2006



Commercial Availability of Apparel Inputs (2006): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-473-004

Products	Apparel containing lace fabrics of synthetic yarns
Requesting Parties	Encajes S.A., Bogota, Colombia
Date of Commission Report: USTR Public	April 20, 2006 April 2006
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NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON APRIL 17, 2006. ALL CONFIDENTIAL INFORMATION HAS BEEN
REMOVED AND REPLACED WITH ASTERISKS (***)

Summary of Findings

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of apparel made in eligible Andean countries and containing lace fabrics of the subject yarns, regardless of the source of the yarns, would likely have little or no effect on U.S. apparel, fabric, and yarn producers or their workers. The Commission is unaware of any U.S. producers of apparel or fabrics that contain the subject yarns or that are directly substitutable for the subject goods. The garments are specialty items sold in niche segments of the U.S. apparel market. The Commission is also unaware of any firms producing the subject yarns in the United States. Two firms said they could supply a nylon yarn that is similar to one of the subject nylon yarns, but that the quantity needed by the petitioner is very small. The proposed action would likely benefit U.S. firms that make apparel containing lace fabrics of the subject yarns in eligible Andean countries, and their U.S.-based workers, as well as U.S. consumers.

Background

On February 16, 2006, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-473, *Commercial Availability of Apparel Inputs (2006): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). Under this investigation, the Commission provides advice regarding the probable economic effect of granting preferential treatment to apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2006 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).¹

The Commission's advice in this report relates to a petition received by CITA on March 9, 2006, alleging that certain yarns cannot be supplied by the domestic industry in commercial quantities in a timely

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Mar. 3, 2006 (71 F.R. 10992) and consult the Commission's website at www.usitc.gov/ind_econ_ana/research_ana/pres_cong/332/short_supply/shortsupintro.htm.

manner. The petitioner requests that the President proclaim duty-free treatment under the ATPDEA for apparel containing lace fabrics of the subject yarns, regardless of the source of the yarns.²

Discussion of the product

The petition states that the subject yarns are used in lace fabrics for apparel and are classified in the Harmonized Tariff Schedule of the United States (HTS) under subheadings providing for certain metalized textile yarn (5605.00.10) and certain plied synthetic filament yarn (other than sewing thread), not put up for retail sale, of nylon (5402.31.60) or of polyesters (5402.62.00). Lace fabrics of the subject yarns can be used in numerous apparel articles, including women's lingerie classified in HTS chapter 61 (apparel, knitted or crocheted).³ Such lingerie is subject to a U.S. general duty rate of 14.9 percent ad valorem.

The petitioner, Encajes, S.A., Bogota, Colombia, makes lace fabrics at its facilities in Colombia.⁴ The petitioner states that it will source the yarns from Mexico, Brazil, Taiwan, Spain, France, Germany, Italy, and Japan (the yarn specifications are shown in the following tabulation). The petitioner also states that the apparel articles will be made in Colombia.

² The President may proclaim such action if (1) he determines that the subject fabric or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner; (2) he has obtained advice from the Commission and the appropriate advisory committee; (3) he has submitted a report, within 60 calendar days after the request, to the House Committee on Ways and Means and the Senate Committee on Finance, that sets forth the action proposed, the reasons for such action, and advice obtained; (4) a period of 60 calendar days, beginning with the day on which he has met the requirements of (3), has expired; and (5) he has consulted with such committees on the proposed action during the 60-day period referred to in (3). In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

³ If CITA designates the specified apparel as eligible for ATPDEA duty-free entry, all other yarns used in the apparel must be U.S. formed and all other fabrics used must be U.S. formed from U.S. yarns, subject to the special rules for findings and trimmings, certain interlinings, and de minimis fibers and yarns under sec. 204(b)(3)(B)(vi) of ATPDEA.

⁴ Information on the petitioner, which makes lace, curtain panels, lace tablecloths, and curtain fabric, is from the petition, its website (<http://www.encajes.com>), and e-mail correspondence with Commission staff.

Yarn specifications			
HTS No.	Fiber content	Yarn features	Yarn size
Yarn 1 5605.00.10	100% metallic covered in polyester ¹	Flat, non-textured; in silver or gold color	25 microns, ungimped, and untwisted or with twist of less than 5 turns per meter
Yarn 2 5402.62.00	100% cationic ² polyester	Flat, non-textured; bright luster; trilobal cross-section ⁴	305 decitex, 96 filaments, plied, with 120 twists in "S" ³ by meter
Yarn 3 5402.62.00	100% cationic ² polyester	Flat, non-textured; bright luster; trilobal cross-section ⁴	78 decitex, 48 filaments, plied, with 120 twists in "S" ³ by meter
Yarn 4 5402.31.60	100% polyamide 6.6 high-tenacity nylon ⁵	Textured; bright luster; trilobal cross-section ⁴	312 decitex, 102 filaments, plied, with 450 twists in "S" ³ by meter
¹ HTS heading 5605 covers yarn consisting of any textile material combined with metal thread or strip and yarn of any textile material covered with metal by any other process (the subject yarn has a shiny metallic surface). ² Refers to polyesters that have been modified chemically to make them receptive to cationic dyes. ³ A yarn can be twisted to form either an "S" twist (twisted in the clockwise direction) or a "Z" twist (twisted in the counterclockwise direction). ⁴ The trilobal fibers used in the subject yarns each have three lobes, which help to reflect more light and give an attractive sparkle to the finished goods. ⁵ The CITA notice states that this textured nylon yarn is a "high-tenacity" nylon yarn ("tenacity" is the amount of force needed to break a yarn). While textured nylon yarn is used in apparel, high-tenacity nylon yarn is normally used in industrial goods such as tire cord fabric and as a reinforcement in automotive and appliance belts. A trade source indicated that the use of the term "high-tenacity" in the petition likely refers--incorrectly--to the high number of twists incorporated into the nylon yarn.			

Discussion of affected U.S. industries, workers, and consumers

Apparel producers

The Commission was unable to locate any U.S. producers of apparel containing lace fabrics of the subject yarns. Any U.S. production of such apparel is likely to consist of specialty goods made in small quantities and sold in niche segments of the U.S. apparel market.

Fabric producers

Commission staff contacted four U.S. producers identified by industry officials as possible sources of the lace fabrics. Two of the mills (Beverly Knits and Alamac Knit Fabrics)⁵ said they do not make the fabrics;
 ***.

⁵ Telephone interviews by Commission staff with ***, Mar. 23 and 28, 2006, respectively.

Yarn producers

Commission staff contacted U.S. yarn producers identified in the petition and by other industry officials as possible sources of the subject yarns, but none of them stated that they make the metallic textile yarns (yarn 1 in the tabulation above), the cationic polyester yarns (yarns 2 and 3), or the 100-percent polyamide 6.6 nylon yarns (yarn 4). Only with respect to yarn 4 did several firms indicate an interest. An official of INVISTA (formerly DuPont Textiles & Interiors), Wichita, KS, said the firm can supply yarn 4, but not with the required number of twists specified in the petition.⁶ The INVISTA official said the firm would likely not oppose the petition because the subject nylon yarn (yarn 4) does not compete in the firm's major markets and because the yarn requirements of the petitioner are very small and likely to remain so because of the specialty nature of the yarn. The INVISTA official stated that the characterization of yarn 4 in the petition as a "high-tenacity" nylon yarn is not consistent with U.S. industry practice; she said the tenacity being referred to in the petition likely relates to the high number of twists in the yarn, rather than a characteristic imparted by any drawing (stretching) process.

An official of Unifi, Inc., Greensboro, NC, the principal U.S. producer of textured synthetic yarn,⁷ said Unifi can supply yarn 4, but is unable to twist the nylon as specified in the petition. She said the yarn needs of the petitioner as specified in the petition are likely to be too small to interest U.S. yarn producers that might be capable of making the nylon yarn. However, she expressed concern that if the petition is approved, apparel manufacturers in Colombia might expand production of garments containing lace fabrics of the subject nylon yarn (yarn 4) and require large volumes of yarn that U.S. producers would want to supply.

An official of Premier Fibers Corp., Ansonville, NC, said the firm does not make the subject yarns, but does make nylon fibers of a kind used to produce the 100-percent polyamide 6.6 nylon yarn (yarn 4).⁸ Nylstar, Inc., High Point, NC, makes 6.6 high-tenacity nylon yarns, but not in the yarn sizes specified in the petition.⁹ An official of Nan Ya Plastics, Lake City, SC, said the firm makes nylon and polyester yarns for apparel uses, but it cannot make the yarns named in the petition.¹⁰ An official of *** no longer makes synthetic yarn since it closed its *** plant in 2005.¹¹ Other yarn mills contacted by Commission staff that stated they do not make the subject yarns for apparel uses include ***.¹²

Views of interested parties

No written submissions were filed with the Commission.

Probable economic effect advice¹³

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of apparel made in eligible ATPDEA countries and containing lace fabrics of the subject yarns, regardless of the source of the yarns, would likely have little or no effect on U.S. apparel, fabric, and yarn producers or their workers. The Commission is unaware of any U.S. producers of apparel or fabrics that contain the subject yarns or that are directly substitutable for the subject goods.

⁶ Mary Vane, INVISTA, telephone interviews by Commission staff, Mar. 23, and Apr. 7 and 11, 2006.

⁷ Information on Unifi is from Jane L. Johnson, Government Relations Manager, Unifi, Inc., written submission to CITA, Mar. 29, 2006, and a telephone interview by Commission staff, Mar. 29, 2006.

⁸ John Ammirtharaj, President Premier Fibers, Ansonville, NC, telephone interview by Commission staff, Mar. 22, 2006.

⁹ Sunny Walker, President, Nylstar, Inc., High Point, NC, telephone interviews by Commission staff, Mar. 17 and Apr. 7, 2006.

¹⁰ ***, telephone interview by Commission staff, Mar. 17, 2006.

¹¹ ***, telephone interview by Commission staff, Apr. 5, 2006.

¹² Telephone interviews by Commission staff with ***.

¹³ The Commission's advice is based on information currently available to the Commission.

The Commission is also unaware of any firms producing the subject yarns in the United States. Two firms said they could supply nylon yarn that is similar to the subject 100-percent polyamide 6.6 nylon yarn (yarn 4), but without the required number of twists specified in the petition. However, the quantity of the subject nylon yarn required annually by the petitioner as stated in the petition is likely to be too small to interest U.S. yarn producers that might be capable of making the nylon yarn. The apparel articles containing lace fabrics of the subject nylon yarn are specialty items of a kind sold in small quantities in niche segments of the U.S. apparel market.

The proposed preferential treatment would likely benefit U.S. consumers of the specified apparel articles to the extent that importers pass on some of the duty savings to retail consumers. It would also likely benefit U.S. firms, if any, that make the apparel articles in eligible ATPDEA countries, and their U.S.-based workers.